

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

IN RE:)
) **Chapter 11**
CITATION CORPORATION, et al.,¹)
) **Case No. 04-08130-TOM-11**
Debtors.) **(Jointly Administered)**

**ORDER PURSUANT TO 11 U.S.C. §§ 105(a) AND 363(b)
AUTHORIZING PAYMENT OF PREPETITION WAGES,
COMPENSATION, AND EMPLOYEE BENEFITS**

This matter came to be heard upon the motion (the "Motion") of Citation Corporation ("Citation"), its holding company, and certain of its direct and indirect subsidiaries (the "Subsidiaries"), as debtors and debtors in possession (collectively, the "Debtors"), pursuant to §§ 105(a) and 363(b) of 11 U.S.C. § 101 *et seq.* (the "Bankruptcy Code") for:

a. authorization to pay to its employees (the "Employees") prepetition (1) wages, salaries, commissions, and other compensation earned prior to the date of commencement of the Debtors' chapter 11 cases (the "Petition Date"), including, without limitation, the amounts which the Debtors are required by law to withhold from employee payroll checks in respect of federal, state, and local income taxes, including unemployment contributions and taxes, and social security and Medicare taxes, and amounts that the Debtors are required to directly pay in respect

¹ In addition to the Citation Corporation, the Debtors include the following entities: (i) Citation Holding Company, (ii) Berlin Foundry Corporation, (iii) Bohn Aluminum, Inc., (iv) Castwell Products, Inc., (v) Citation Precision, Inc., (vi) HI-TECH, Inc., (vii) Iroquois Foundry Corporation, (viii) ISW Texas Corporation, (ix) Mansfield Foundry Corporation, (x) OBI Liquidating Corp., (xi) Texas Steel Corporation, (xii) TSC Texas Corporation, (xiii) Citation Aluminum, LLC, (xiv) Citation Castings, LLC, (xv) Citation Grand Rapids, LLC, (xvi) Citation Lake Zurich, LLC, (xvii) Citation Michigan, LLC, (xviii) Citation Wisconsin Forging, LLC, (xix) Citation Wisconsin, LLC, (xx) ITM Holding Co., LLC, (xxi) Interstate Southwest, Ltd., (xxii) Texas Foundries, Ltd., and (xxiii) MFC Liquidating Company, Ltd.

of state unemployment taxes and contributions on behalf of employees (collectively, the "Compensation Obligations"), (2) amounts that the Debtors are required to pay or withhold with respect to medical and health insurance, prescription insurance, life insurance, dental insurance, cafeteria plans, flexible spending accounts, defined contribution/401(k) plans, defined benefit/pension plans, disability benefits and coverage, other welfare benefit plans, and other such similar benefits (the "Employee Benefits"), (3) vacation and other paid-time-off obligations, including, without limitation, vacation pay, sick time, and personal days that have accrued as of the Petition Date (the "Vacation Obligations"), (4) amounts that the Debtors are required to pay with respect to a variety of business expenses incurred by their employees, including travel and relocation expenses, in the ordinary course of performing their duties on behalf of the Debtors (the "Reimbursement Obligations"), and (5) amounts that the Debtors are required to pay to compensate certain payroll processors in respect of the Compensation Obligations and administrators, consultants, actuaries, recordkeepers, and other service providers in the ordinary course of their businesses in order to facilitate the administration, record keeping, and maintenance of certain Employee Benefits (the "Administrative Obligations" and, together with the Compensation Obligations, the Employee Benefits, the Vacation Obligations, and the Reimbursement Obligations, the "Prepetition Employee Obligations");

b. authorization to satisfy and continue the Employee-Requested Payroll Deductions;

c. authorization to continue to honor the Debtors' plans, policies, and programs with respect to Vacation Obligations and Employee Benefits, as such plans, policies, and programs were in effect as of the Petition Date;

d. authorization for the banks in which the Debtors maintain their accounts in respect of the Prepetition Employee Obligations to honor all checks issued and kind instructions in respect of the Prepetition Employee Obligations; and

e. authorization to issue new postpetition checks or to effect new fund transfer requests, to replace any dishonored or rejected prepetition checks or kind transfer requests on account of the Prepetition Employee Obligations, all as more fully set forth in the Motion.

Upon consideration of the Affidavit of Charles P. Bloome in Support of Chapter 11 Petitions and First Day Orders filed on the Petition Date; the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; due notice of the Motion having been provided to (1) the Office of the Bankruptcy Administrator for the United States Bankruptcy Court for the Northern District of Alabama, Southern Division; (2) counsel to JPMorgan Chase Bank as Administrative Agent for the Debtors' prepetition lenders; (3) counsel to JPMorgan Chase Bank as Administrative Agent for the Debtors' proposed postpetition lenders; (4) the Debtors' twenty (20) largest unsecured creditors (on a consolidated basis); and (5) the District Director of the Internal Revenue Service for the Northern District of Alabama; and it appearing that no other or further notice need be provided; the Court having determined that the relief sought in the Motion is in the best interests of the Debtors, their creditors, and all parties in interest; upon the Motion and all of the proceedings before this Court; and after due deliberation and sufficient cause appearing therefore, it is hereby

ORDERED that the Debtors are authorized to honor and pay the Prepetition Employee Obligations in a manner consistent with the Debtors' prepetition business practices and policies, as set forth below:

- a. the Debtors are authorized to pay accrued and unpaid Compensation Obligations up to \$4,090,000, excluding amounts owed on checks issued prepetition that have not cleared the Debtors' banks (the "Outstanding Payroll Checks");
- b. the Debtors are authorized to pay amounts owed in respect of the Outstanding Payroll Checks;
- c. the Debtors are authorized to pay accrued and unpaid Vacation Obligations, as such obligations become due under the Debtors' pre-Petition Date paid time off policies, up to \$5,600,000;
- d. the Debtors are authorized to pay accrued and unpaid Employee Benefits up to \$4,554,000;
- e. the Debtors are authorized to pay accrued and unpaid Reimbursements Obligations up to \$150,000; and
- f. the Debtors are authorized to pay accrued and unpaid Administrative Obligations up to \$215,000; and it is further

ORDERED that the Debtors are authorized to pay the requested prepetition obligations without prejudice to the Debtors' right to seek additional or further relief in the future; and it is further

ORDERED that the Debtors are authorized to satisfy and continue the Employee-Requested Payroll Deductions; and it is further

ORDERED that the relief granted herein shall not constitute or be deemed an assumption or an authorization to assume any of such policies, plans, programs, practices, and procedures pursuant to Bankruptcy Code § 365; and it is further

ORDERED that the Debtors' banks and financial institutions are authorized to honor and pay all prepetition and postpetition checks issued, and fund transfer requests made, by the Debtors in respect of payroll, salary, bonus, compensation, Employee Benefits, and other Prepetition Employee Obligations, to the extent sufficient funds are on deposit in such accounts; and it is further

ORDERED that Debtors' banks and financial institutions may rely on the representations of the Debtors as to which checks and fund transfer requests are issued and authorized to be paid in accordance with this Order without any duty of further inquiry and without liability for following the Debtors' instructions; and it is further

ORDERED that the Debtors are authorized (consistent with this Order) to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests in respect of Prepetition Employee Obligations dishonored or rejected as a consequence of the commencement of these chapter 11 cases.

Dated: Birmingham, Alabama
September 20, 2004

/s/ Tamara O. Mitchell
UNITED STATES BANKRUPTCY JUDGE